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RUEATRS/TREASURY DEPT WASHDC IMMEDIATE
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C O N F I D E N T I A L SECTION 01 OF 03 TOKYO 005114

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E.O. 12958: DECL: 11/04/2017

TAGS: [PGOV](#) [PREL](#) [JA](#)

SUBJECT: FUKUDA-OZAWA MEETINGS INCITE LATEST POLITICAL
CRISIS

REF: A. TOKYO 5059

[1](#)B. TOKYO 4966

Classified By: Ambassador J. Thomas Schieffer, reasons 1.4(b),(d).

[1](#)1. (C) Summary. Opposition leader Ichiro Ozawa's November 4 offer to resign, and the private meetings with the Prime Minister that precipitated it, have further unsettled Japan's political scene. While much of the press reporting is focused on what sort of deal was proposed by whom in the Fukuda-Ozawa talks, for now Embassy contacts are at a loss to assess the impact of this latest crisis in terms of the future of Ozawa's DPJ, the ongoing Diet proceedings, and the scheduling of the next general election. At first glance, the DPJ appears to have taken the bigger hit, but both parties are likely to suffer a loss of confidence as further details emerge. At this point, it is simply too early to predict which party will come out on top. End Summary.

Fukuda and Ozawa Strike a Deal

[1](#)2. (C) The latest political crisis to hit Japan erupted on November 2, after a second round of talks between Prime Minister and President of the ruling Liberal Democratic Party (LDP) Yasuo Fukuda and main opposition Democratic Party of Japan (DPJ) leader Ichiro Ozawa. The two party heads had met for the first time on October 30 (Ref A) and agreed to postpone a scheduled October 31 Diet debate in favor of meeting again. Initial media reporting claimed that Fukuda had initiated the meetings, but conflicting stories have so far emerged labeling Ozawa the instigator. In fact, in a conversation with Embassy Tokyo, one highly placed ruling party insider echoed some media claims that Yomiuri Shimbun president Tsuneo Watanabe acted as the go-between for Fukuda and Ozawa at Ozawa's request.

[1](#)3. (C) While their first meeting ended with no apparent agreement, the two leaders apparently upped the stakes on November 2. According to press reports, Prime Minister Fukuda agreed to back down on seeking passage for a new special measures law to authorize refueling support for Operation Enduring Freedom (OEF), in exchange for Ozawa's

commitment to compromise on a permanent dispatch law. Fukuda was said to have conceded to Ozawa's demand that Self-Defense Force (SDF) dispatches be authorized in some undefined manner by a UN Security Council Resolution. The new law would obviate the need to pass a special measures law for each SDF deployment.

14. (C) The two leaders are also reported to have discussed the idea of a "Grand Coalition" of the LDP, DPJ, and Komeito. This news landed like a bombshell, catching Embassy contacts in both parties by surprise and leading to widespread condemnation that they had failed to first lay the proper groundwork within their own parties. Fukuda is also alleged to have agreed to make Ozawa a Deputy Prime Minister, should he join in coalition with the LDP and Komeito, and to give the DPJ six of 17 cabinet posts (with the Komeito retaining its current one post).

Making a Bad Situation Worse for Both

15. (C) Both the DPJ leadership and rank-and-file reacted poorly to what many perceived as Ozawa's unilateral action and rejected the deal he presented to them late November 2. Subsequently, on November 4, he told the press he felt obliged to submit his resignation as party leader "to take responsibility for the political confusion." He referred to the decision of the DPJ leadership not to back him up in his dealings with Fukuda as tantamount to a "no-confidence" motion. He continued to maintain, however, that the coalition idea was Fukuda's, despite assertions to the contrary by Chief Cabinet Secretary Nobutaka Machimura and LDP Secretary General Bunmei Ibuki. For his part, Prime

TOKYO 00005114 002 OF 003

Minister Fukuda told the press November 5 that the "Grand Coalition" idea was one shared by both leaders. (Note: The PM described this in Japanese using an expression that means "the mental and physical harmony of two individuals.")

16. (C) In spite of his own party's opposition, Ozawa defended his decision to consider the proposed political realignment, noting that Fukuda had agreed to back down on the OEF bill and support DPJ-sponsored bills aimed at reforming the pension system and providing additional supports to child-rearing families and farmers. Ozawa insisted that some sort of compromise with the ruling coalition was necessary for the DPJ to meet the expectations of the voters who gave the party control of the Upper House in July 29 elections. More importantly, he said, he had come to the realization that the DPJ could not make substantial gains in the next general election without gaining passage of at least some of its proposed livelihood measures. His goal, he told the reporters, had been to create a policy consultation framework with the ruling coalition. He blasted the media for trying to "eliminate" him politically and bring down the DPJ's image by running "groundless" reports on his role in initiating the discussions.

17. (C) DPJ President Naoto Kan and Secretary General Yukio Hatoyama tried to convince Ozawa to stay -- assuming he would back down from his support for forming a coalition with the ruling parties -- during an emergency executive meeting on November 5, but it was already clear that Ozawa had made up his mind. Kan is widely expected to be a front-runner as Ozawa's replacement, along with former DPJ leader Katsuya Okada. Kan might appeal more to Ozawa's core supporters in the party, but Okada is more likely to gain the support of the mostly younger members who have chafed under Ozawa's leadership and disdained his dictatorial style. Furthermore, among DPJ leadership, Ozawa is thought of as the only former party leader to have resigned "honorably" (to take responsibility for the DPJ's Lower House election loss in 2005).

18. (C) Fukuda has also been damaged by his attempt to craft a

deal with Ozawa, Embassy contacts say. On substance, he will undoubtedly be faulted for giving up too easily on the OEF bill and rushing to gain agreement on a permanent dispatch law instead. On style, his negotiations with Ozawa only bolster the impression of many critics that his election as LDP President has fostered a return to the "back room" decision-making style of the old LDP. His aggressive moves on the permanent dispatch law -- and willingness to partner so quickly with the opposition -- are certain to weaken the already strained ties between the LDP and junior coalition partner Komeito. Results of an Asahi poll conducted November 3-4 show only 36 percent of respondents in favor of expanding the ruling coalition, with 48 percent opposed.

Improved Prospects for Passage of New OEF Bill?

¶9. (C) Speaking on a popular weekend talk show, former LDP heavyweight Shizuka Kamei said that Fukuda had gained the upper hand after the inter-party talks, and would now be able to gain passage of the new OEF bill (Ref B) and other key legislation without incurring a censure motion from the opposition-controlled Upper House or having to dissolve the Lower House. On the other hand, allegations that Fukuda was willing to sacrifice the new OEF bill in exchange for DPJ support for a permanent dispatch law could now weaken the ruling coalition's case for suddenly choosing to use its two-thirds override power in the Lower House to ram the measure through in an extended Diet session.

¶10. (C) The departure of Ozawa could also complicate passage during this Diet session, assuming the new opposition leader can hold the party together and maintain a confrontational stance. At this point, the government is saying publicly that it hopes to pass the new OEF bill through the Lower

TOKYO 00005114 003 OF 003

House prior to Fukuda's November 16 visit to the United States. The rest would depend on whether the opposition votes the measure down quickly in the Upper House, or opts to exercise its right to hold the legislation for up to 60 days.

The ruling parties have already entered into discussions with the opposition on extending the extraordinary session for three to four weeks beyond its scheduled closing date of November 10.

Possible Damper on Early Elections

¶11. (C) With a combined 105 seats in the Upper House after their disastrous loss in July, the LDP-Komeito coalition needs to lure just 17 DPJ members or independents into their corner to regain control of the 242-seat chamber and break through the political deadlock that threatens to choke the system until at least the next Upper House elections in 2010.

The "confusion" resulting from the Fukuda-Ozawa meetings will likely put to rest opposition calls for an early Lower House election, which would have to be considered a major win for Fukuda and the LDP.

SCHIEFFER